

director, Am. Jur.. this encyclopedia of the law, says that the traditional view of the outside director was that it was honorary. But that is changing now because of the real and substantial duties which they can perform. Quoting Am. Jur., they said that outside directors are believed to, number one, enable the board of directors to function effectively in its role as a reviewer of management initiatives and monitor of corporate performance. Look, if everybody on the board of directors is the subordinate of the CEO, and the CEO brings the board a suggestion or plan or some kind of management initiative, and everybody on the board is the subordinate of the CEO, there will be very little critical review of the CEO's suggestion. Secondly, the outside director acts as the watchdog for stockholders and the public by bringing up unbiased and informed outlook to corporate decision-making. And, third, the outside director can monitor or affect the conduct of managers so that it responds appropriately to social concerns, such as consumer rights, the environment and social improvements. This basic Am. Jur. reading is highlighted by other studies and thoughts in this field. In the New York Law Review, in 1977, one of the first major treatises on the outside directors, the author states, in part, that it's critical to have outside directors because no one else will be very good at the evaluation of personnel. If all the rest of the board are employees of the CEO, who is to review the CEO's performance? The stockholders, they're not informed. The other members of the board who happen to be beholding to the CEO, not likely. The outside director is capable of making some kind of informed judgment. That comes from the New York Law Review. In the George Washington Law Review, the same theory, this was... the book was called Revolution versus Evolution, talking about the role for the outside director. To quote the author, to achieve objectivity, outside directors should be independent of management and, in fact, should outnumber the inside manager-directors. Well, I don't ask for that much here. Board independence is most critical when corporations are pursuing inappropriate strategies and the directors need to replace incumbent managers. What happens when everybody is an insider and the corporate management style is not going well and maybe inappropriately, and you need to bounce somebody out of there? A bunch of beholding directors going to do the job? I don't think so. But George Washington Law Review says have some outside directors. They also say, for example, a director who depends upon the management, what, like an officer or an employee, for his or her position is related to senior managers